

My name is Fred Nader. I am a lifetime Michigander, President of AutoTech Technology Development Inc (a Michigan based Corporation serving the auto industry), a past Trustee of the DMC owned Rehabilitation Institute of Michigan, past Trustee of the Society of Automotive Engineers Foundation the father of Erica Nader-Coulston.. An auto accident victim who suffered a catastrophic spinal cord injury in 2001. I can tell you with certainty that no-one ever thinks that they (or someone from their Family) become catastrophically injured in an auto accident. I can also tell you that our Family (with an above average income) would have been financially destroyed if it were not for Michigan no-fault auto insurance. By the grace of God, I pray that your Family will never know this by firsthand experience.

I am here today to tell you that there are far too many unanswered questions presented by house bill 4936. As our elected legislative representatives you have the responsibility to produce and present credible third party financial projections on cost to us and the State budget if this unnecessary law were enacted as well as validate what level of saving is possible at every level of the proposed new coverage.

The current auto no-fault law is a privately funded group insurance policy that presents a zero impact to the Michigan State budget. I simply can't image why you as our elected legislators would even consider changing this law in a manner that is guaranteed to negatively impact the State budget, my overall insurance costs and expose me and the rest of your fellow Michiganders with un-necessary financial risk!

The desire for our Legislature to reduce auto insurance coverage and regulate medical provider billing rates is based on a flawed belief that the current system is non-sustainable. But... what if the data being provided by the MCCA is not statistically correct? What if the actuarial equations that the MCCA is using to forecast future liabilities includes flawed assumptions?

The MCCA is the only source for financial forecast information on liabilities and the MCCA wants the current law changed. Is it possible that the MCCA is using flawed assumptions to calculate future risks that could be overstated? What if this were true? What if the MCCA assumptions for future liabilities included a belief that injured victims would require benefits for 105 years from the time they were injured. This sounds ridiculous... but what if it is actually true??? If true, it would accelerate the number of people receiving benefits while never forecasting the previously injured will experience normal life expectancy rates. Do the math.

Future forecasts need to be calibrated by past data. Looking at the 2010 financial data the MCCA received revenue of \$1,200,000,000 and paid benefits of just over \$800,000,000. This represents a \$350,000,000 excess revenue over benefits. If we simply divide excess revenue by paid benefits we quickly see that the fund was over insured for 2010 by 43.75%. Now let's look at total amount paid over a 37+ year period.... and we find that the fund current net revenue of over \$13,000,000,000 is substantially greater than total paid benefits over the entire 37+ years of existence.

Before this young, 1st term group of legislators simply accept the provided data as true, they need (no they must) demand transparency from the MCCA on how their forecast of gloom and doom was generated. If someone walked up to you and told you that you were suddenly broke would you throw yourself out of a nearby window or check your bank account?

Finally, adding government oversight to the medical industry for a privately funded group insurance policy is a slippery slope that is not consistent with Republican principles. Do we also regulate how much the insurance providers can charge? How about regulating the trial lawyers who currently can charge up to 1% of law suit judgments? If we are removing the tort limit... should we not also reduce the maximum amount that trial lawyers can charge? As you can see... this quickly gets to ridiculous.

The sky is not falling. Our legislators simply need to stop listening to Chicken Little and check the accuracy and authenticity of data that predicts gloom and doom to a program with a 37 year history of successfully serving the People of Michigan. Michigan's current no-fault law is Pure Michigan..... don't to fix things that are not broken. Instead... fix the economy, balance the budget and create jobs!

The proposed HB4936 also includes a tricky piece of legislation where an appropriation (spending of money) is added to the bill resulting in the bill not being subject to a public referendum. Really????? so legislators want to pass a bill that not only changes our incredible auto insurance but they want to add trickery that would prohibit We The People from exercising our Constitutional right to vote! Previous attempts to reduce or eliminate our current no-fault coverage has gone to a public referendum twice. Both times, We The People voted by a 60/40 ratio to preserve and maintain the current law. This is America and the right to a public referendum should NEVER be restricted by our elected politicians.

The proposed changes to the current no-fault law is irresponsible and financially flawed.

1. HB4936 claims to Providing Michigan Drivers with Choice

While HB4936 claims to allow people to choose what level of insurance coverage they want and what level of risk they want to take it completely fails to inform people what the financial benefit will be or warn people about the financial impact to those who make the wrong choice? The organizers and supporters of HB4936 tell people that they should not worry about insurance coverage because they have other insurance that will provide them with coverage if they are severely or catastrophically injured in an auto accident. First of all, this gives people a false sense of protection and secondly, over 30% of Michigan residents don't even have private health insurance, Medicare and Medicaid provide anywhere near the really naïve enough to think that private insurance, Medicare and Medicaid provide anywhere near the level of coverage that the current no-fault insurance provides? Ladies and gentlemen, this is a slippery slope of poor benefits that you clearly need to study in greater detail.

By comparison to choice, Federal Legislation requires that car companies install a minimum of 4 airbags in all 15 million vehicles sold every year in the United States. Crash data supports the fact that airbags save the lives of 300-500 people per year out of a total population of 300,000,000 people. This is an interesting paradox to HB4936 wanting to give people the choice to buy potentially insufficient auto insurance. Ladies and gentlemen... laws are passed to "protect" people from making bad choices..... not allowing them (or encouraging them) to make bad choices that the insurance industry and trial lawyers can capitalize on.

- This is WHY we have laws that force people to wear seat belts and force auto companies to install airbags in 15,000,000 vehicles per year.
- This is WHY we don't allow people to buy a new car with an airbag delete option that would save them \$2,000 on the price of a new car.

2. HB4936 claims to Save Michigan Drivers Money on auto insurance coverage

HB4936:

- includes absolutely no financial analysis or projection of savings over any period of time and completely fails to forecast what level of reduction would be realistic or even possible
- Completely fails to forecast what the economic impact will be to other insurance costs such as personal health insurance and liability insurance which are most likely to increase

- Completely fails to forecast what the economic impact will be on the State Medicaid budget and tax increases to cover the eminent Medicaid costs that will occur as a result of this bill
- HB 4936 removes the current TORT limits and forces injured people to sue the person responsible for the accident. This will cause drivers to buy MORE liability insurance!
- While HB 4936 claims it will reduce insurance cost, it really just "SHIFTS" cost to other forms of coverage and will likely RAISE costs for the majority of drivers while leaving children and the poor without viable solutions
- HB 4936 is simply bad politics. The only guaranteed winners are the insurance providers and trial lawyers.

3. HB4936 claims that the current system is unsustainable (I think Representative Lund actually stated that the current system would implode if not changed).

The promoters of HB4936 fail to show any sound evidence that this is in fact a true statement.

- The MCCA paid benefits in 2010 totaling over \$800,000,000
- The MCCA received revenue in 2010 totaling about \$1,200,000,000

Let's do the Math!

- In 2010 alone, the MCCA had a net revenue cash increase of over \$350,000,000
- This represents a net over-insuring of the fund by the Michigan insurance industry of 43.75%
- The MCCA has net cash reserves totaling over \$13,000,000,000 even after losing several billion dollars in the recent stock market crash (a truly catastrophic loss of our money)
- In its entire 37 year history, the MCCA fund has paid out total benefits that are substantially less than the current net value of the fund.

I'm an engineer and not an economics wiz but (as a Michigan Corporate executive) this looks like an incredibly sustainable business model. Remember, that the current No-fault law was passed as insurance reform 37 years ago. The proposed changes caused by HB4936 does not represent reform, it represents anti-reform and looks more like a Michigan Republican version of Obama-Care!

If you really want to save Michigan drivers money then

- Limit how much the insurance companies can over insure the MCCA for
- Eliminate the use of credit scores for calculating policy cost
- Eliminate the use of zip code for calculating policy cost

Most of us spend 6-7 dollars per month to insure our cell phone from loss and/or damage. Do we really think that 40 cents per day to protect our entire family and anyone who might travel with us is not a great bargain! Again... please do the math!

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